## REMARKS

This amendment is responsive to the Office Action dated February 13, 2003. Applicant has amended claims 1, 2, 16, 20-22, 25, 26, 27, 30, and 56, cancelled claims 18, 19, 23, 24 and 74, and added new claims 75-92. Claims 1-17, 22, 25-31, 56-73 and 75-92 are pending. In this communication, Applicants have amended the claims in accordance with the proposed revision to 37 CFR 1.121.

### Claim Rejection Under 35 U.S.C. § 103

In the Office Action, the Examiner rejected claim(s) 1-31 and 56-74 under 35 U.S.C. 103(a) as being unpatentable over Sloo (US 5,895,450) in various combinations with Cookmeyer II et al. (US 6,363,384), Burchetta et al. (US 6,330,551), and Main, et al (U.S. Patent No. 5,839,905). To establish a prima facie case of obviousness, three basic criteria must be met. First, the prior art reference or references when combined must teach or suggest each and every claim limitation. Second there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Finally, there must be a reasonable expectation of success.[1] The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and not based on Applicant's disclosure.

The reasoning set forth by the Examiner fails these well established criteria. Accordingly, Applicant respectfully traverses the rejection under 35 U.S.C. 103(a) for the reasons set forth herein.

*Failure To Teach Or Suggest Each And Every Claim Limitation*
*Claims 1, 56 and 64*

In rejecting Applicants' claims, the Examiner relies primarily on the disclosure of Sloo, which is directed to a network-based complaint handling system. However, as admitted by the Examiner, Sloo fails to disclose certain requirements of each of Applicants' independent claims

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[1] See MPEP 706.02(j) quoting In re Vaick, 947 F2d 488, 20 USPQ2d 1438 (Fed Cir. 1991).

1, 56 and 64.[2] As one example, the Examiner states that Sloo fails to disclose applying a case-based reasoning system to case information to produce a result for use in selection of a mode of resolving the dispute in accordance with an online dispute resolution process, as required by claim 1. In fact, the processes described in Sloo relate entirely to automated adjudication via a computer automated process or a negotiator, judge or jury. As described in great detail in the accompanying declaration, the automatic adjudication-based system described by Sloo is entirely inapplicable, indeed unworkable, for situations requiring online dispute resolution, e.g., online marketplaces. Online dispute resolution process, as recited by claim 1, as applied to real-world online marketplaces is a conciliation-based process that requires unique considerations and innovations entirely unrelated to the inapplicable and fictitious complaint handling system of Sloo that seeks to apply artificial intelligence to "define laws" and "curb behavior."[3]

Similarly, the Examiner admits that Sloo does not disclose comparing the case information to facts of previously resolved disputes to produce a result for use in selection of a mode of resolving the dispute, as required by claim 56. As another example, Sloo does not disclose a database to store facts and outcomes of previously resolved disputes, and a server that compares case information to the facts of previously resolved disputes stored by the database to produce a result for use in selection of a mode of resolving the dispute, as required by claim 64.

The Examiner attempts to rely on the disclosure of Cookmeyer in an effort to overcome these deficiencies of Sloo. This reliance is clearly misplaced. Cookmeyer does not disclose or suggest these requirements of Applicants' claims. In fact, Cookmeyer is in not even remotely related to electronic dispute resolution. Instead, Cookmeyer discloses an expert system for analyzing network protocols, e.g., Ethernet, Token Ring, and the like.

Moreover, Cookmeyer merely discusses an analyzer that "combines a rules based knowledge base together with a structured interview analysis which allows the user to follow interview questions in focusing the problem definition."[4] The Examiner has done nothing more than select a reference to demonstrate a rule-based computing system that can be used for problem solving, e.g., a protocol analyzer of Cookmeyer for identifying network problems.

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[2] *See* Office Action, page 5.
[3] See, e.g., columns 15 & 16.
[4] Cookmeyer, column 6, lines 49-52.

Applicant has no doubt that the Examiner could have selected any of a multitude of references for this proposition.

However, the proposition is wholly unrelated to Applicants' claims, and clearly fails to teach or suggest the comparison of case information to assist in selection of a mode for resolving a dispute in accordance with and online dispute resolution process, as required by Applicant's claim 1. Sloo clearly fails to show this, as readily admitted by the Examiner. Where is this shown in the network analysis described by Cookmeyer?

To establish a prima facie case of obviousness, it is required that the prior art references must teach or suggest <u>all</u> of the claim limitations. When considering Applicant's invention as recited by independent claim s 1, 56 and 64 as a whole, the prior art of record fail the teach or suggest these claim limitations. Consequently, the rejection is erroneous and must be withdrawn.

*Claims 2, 7-13, 15-19, 28-29 and 72*

As another example, the references fail to teach or suggest automatically selecting one of two modes of resolving the dispute based on the result from the case-based reasoning system, the first mode requiring the online dispute resolution process being driven by an electronic agent to assist the parties in resolving the dispute and the second mode involving a human dispute resolution specialist, as required by Applicant's claim 2. In rejecting claim 2, the Examiner <u>admits</u> that Sloo fails to disclose any of these elements, and again seeks to modify the adjudication-based complaint handling apparatus of Sloo with the network analyzer of Cookmeyer. However, as Cookmeyer describes a network analyzer, it clearly fails to teach or suggest automatically selecting one of two modes of resolving the dispute based on the result from the case-based reasoning system, the first mode being completely driven by an electronic agent and the second mode involving a human dispute resolution specialist, as required by Applicant's claim 2. Again, to establish a prima facie case of obviousness, it is required that the prior art references must teach or suggest <u>all</u> of the claim limitations. Consequently, this rejection is erroneous and withdrawal is requested.

*Claims 4-6, 62-63 and 70-71*

Neither Sloo nor Cookmeyer discloses or suggests applying a case-based reasoning system to case information to produce a result for use in selection of a mode of resolving the

dispute by applying a history file of patterns and precedents to generate an outcome prediction for the dispute, and presenting an outcome prediction that includes one or more likely outcomes and associated probabilities of occurrence as described by Applicant's claims 4-6, 62-63 and 70-71.

In rejecting these claims, the Examiner's erroneous and inapplicable reasoning can be summarized as: (1) Sloo discloses posting a notice of the complaint in a publicly searchable database, (2) Sloo discloses retrieving data records for previously resolved complaints to automatically arrive at a judgment, (3) Cookmeyer discloses logging events.

Again, to establish a prima facie case of obviousness, it is required that the prior art references must teach or suggest all of the claim limitations. The cited references fail to even remotely teach or suggest applying a case-based reasoning system to case information to produce a result for use in selection of a mode of resolving the dispute by applying a history file of patterns and precedents to generate an outcome prediction for the dispute, and presenting an outcome prediction that includes one or more likely outcomes and associated probabilities of occurrence as described by Applicant's claims. As admitted by the Examiner, Sloo discloses retrieving data records for previously resolved complaints to automatically arrive at a judgment, which is irrelevant to Applicant's dispute resolution and claim elements of assisting the user to select a mode for resolving disputes. The network analyzer of Cookmeyer fails to describe anything remotely similar to these claim limitations. Consequently, this rejection is erroneous and must be withdrawn.

### Claim 14

The Examiner continues to rely on the combination of Sloo with Burchetta in an effort to establish the obviousness of claim 14. Further, it appears that the Examiner continues to misunderstand either the scope of Burchetta or the recited elements claim 14. In particular, claim 14 requires creating a contract between the one or more parties stating the willingness to abide by the recommended resolution.

Burchetta does not disclose or suggest creating a contract between the one or more parties stating the willingness to abide by a recommended resolution that has been generated by a dispute resolution specialist," as required by claim 14. As argued in the previous Response and Request for Reconsideration, in contrast to this requirement of claim 14, Burchetta discloses that

a previously obtained user agreement binds the claimant to settle the claim for the amount specified by the on-line dispute settlement system based on the comparison of demands and offers received from the parties to each other and preestablished conditions.[5]

The portion of Applicants' disclosure quoted by the Examiner is particularly instructive in illustrating the difference between the disclosure of Burchetta and claim 14. "The dispute resolution specialist also generates a final recommended resolution that, once accepted by the one or more parties, is recited in a binding contract between the one or more parties stating a willingness to abide by the final recommended resolution."[6] In other words, the disclosure in Burchetta of a user agreement that binds users to the result of specified by the system before the system reaches the result is directly contrary to the requirement of claim 14 that a resolution first be recommended and then a contract be created accepting the recommended resolution.

The Examiner has again blatantly overlooked elements of Applicant's claims. The references cited by the Examiner, even if combinable, fail to teach or suggest each and every limitation of Applicant's claims, as required by well established principles of patent law to establish a prima facie case of obviousness. This rejection is erroneous and must be withdrawn.


*Claim 22*

Sloo fails to disclose a forum storing data on participation of a buyer or seller in dispute resolution process to resolve electronic commerce disputes in an electronic marketplace. As described by the Examiner, Sloo describes a process for monitoring compliance with a particular judgment, but fails to provide a forum that indicates whether buyers or sellers have agreed to participate in an electronic dispute resolution process for an electronic marketplace, as required by claim 22 as amended. The compliance process described by Sloo only relates to a user's compliance with a judgment, and is unrelated to the elements recited by Applicant's claims. In fact, Sloo is entirely devoid of any teaching or suggestion of a forum that stores data on participation of buyers or sellers in a dispute resolution process. The other references cited by the Examiner do nothing to address this deficiency.

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[5] Burchetta, column 2, lines 3-17.
[6] Application, page 2, lines 7-11.

*Lack Of Motivation To Modify The Complaint Handling System Of Sloo With The Network Analyzer Of Cookmeyer*

As described above, in addition to the teaching or suggestion of <u>each and every element,</u> there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the complaint handling system of Sloo with the network analyzer of Cookmeyer.

The Examiner is apparently seeking to overcome the many admitted deficiencies of Sloo by reasoning that one skilled in the art would look to a protocol analyzer having an expert system for identifying network problems, as described by Cookmeyer, to modify the complaint handling system of Sloo. In support for this supposition, the Examiner states that "Examiner was introduced to Neural Networks technology where the presenter had introduced how neural networks was [sic] used to make predictions. Neural Networks [sic] made the possible result based upon the data provided. Selection of a process based upon the possible result has been in use at the time of the invention."

In response, Applicant points out that the Examiner is permitted to take official notice of facts outside of the record only when those facts are capable of "instant and unquestionable demonstrations as being well-known."[7] Moreover, when a rejection is based on facts within the personal knowledge of the examiner, the data should be stated as specifically as possible, and the facts <u>must be supported, when called for by the applicant, by an affidavit from the examiner.</u> Such an affidavit is subject to contradiction or explanation by the affidavits of the applicant and other persons.[8]

**Thus, Applicant demands that the Examiner submit an affidavit that specifically details this personal knowledge, including the date of and public nature of the presentation, to afford Applicant an opportunity to respond, as is specifically required by the MPEP.** In addition, Applicant demands that the Examiner describe in factual detail for this record how this presentation provided a motivation to apply a network analyzer having an expert system as described by Cookmeyer to the complaint handling system described by Sloo for the purpose of applying a case-based reasoning system to case information to produce a result for use in selection of a mode of resolving the dispute, as required by claim 1. Moreover, Applicant

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[7] See MPEP 2144.02 quoting In re Ahlert, 424 F.2d 1088, 1092, 165 USPQ 418, 420 (CCPA 1970).
[8] See 37 CFR 1.104(d)(2).

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demands that the Examiner describe in factual detail how this presentation provided a motivation to apply the network analyzer of Cookmeyer to the complaint handling system of Sloo for the purpose of automatically selecting one of two modes of resolving the dispute based on the result from the case-based reasoning system, the first mode being completely driven by an electronic agent and the second mode involving a human dispute resolution specialist, as required by claim 2.

It appears that the conclusion of obviousness advanced by the Examiner relies on a motivation plucked directly from Applicants' own disclosure, rather than the prior art. Along these lines, the Court of Appeals for the Federal Circuit has recently stated: "[the] factual question of motivation is material to patentability, and (can) not be resolved on subjective belief and unknown authority."[9] This finding must be based upon substantial evidence, and not subjective musings or conjecture by the Examiner.[10] Deficiencies in the evidentiary record cannot be cured by general conclusions such as "general knowledge" or "common sense."[11] Accordingly, the Examiner cannot rely on unsupported, conclusory statements to close holes in the evidentiary record.[12] Unless the Examiner can establish an evidentiary record based on concrete prior art references that establish that it would have been obvious to a person with ordinary skill in the art to incorporate the features of Applicant's dependent claims, the claims should be allowed.

For at least these reasons, the Examiner has failed to establish a prima facie case for non-patentability of Applicant's claims 1-31 and 56-74 under 35 U.S.C. 103(a). Withdrawal of this rejection is requested.

### *Objective Evidence and Secondary Considerations*

Objective evidence or secondary considerations, such as commercial success, must be considered by the Examiner in every case in which they are presented.[13] To aid the Examiner in appreciating the novelty and non-obviousness of Applicant's claimed inventions, Applicant submits a declaration from Mr. Steven D. Abernethy, Chief Executive Officer, President and Co-founder of SquareTrade, Incorporated ("SquareTrade"), the assignee of the present application.

In summary, the declaration submits detailed evidence that:

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[9] *Id.* at 1434.
[10] *Id.*
[11] *Id.*
[12] *Id.*

1. Demonstrates the complete inapplicability of the cited prior art with respect to online dispute resolution processes and systems claimed by the Applicant,

2. Further distinguishes Applicant's claimed invention from the systems described by the cited prior art;

3. Offers substantial evidence of commercial success having a direct nexus with Applicant's claimed invention;

4. Offers substantial evidence of long-felt and unsolved need in industry that was addressed by Applicant's claimed invention; and

5. Offers substantial evidence of industry recognition for awards for pioneering innovation in the area of online dispute resolution, as described and claimed in the present application.

The nature and considerable amount evidence and secondary considerations offered in the submitted declaration is directly relevant to the issue of non-obviousness before the Examiner. Therefore, the Examiner must give "substantial weight" to this evidence, as set forth by the Supreme Court. As this evidence clearly demonstrates the non-obviousness nature of Applicant's claimed invention, withdrawal of the rejections under 35 U.S.C. 103(a) is required.

**New Claims:**

Applicant has added claims 75-92 to the pending application. The applied references fail to disclose or suggest the inventions defined by Applicant's new claims, and provide no teaching that would have suggested the desirability of modification to arrive at the claimed inventions. No new matter has been added by the new claims.

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[13] MPEP 716.01.

## CONCLUSION

All claims in this application are in condition for allowance. Applicant respectfully requests reconsideration and prompt allowance of all pending claims. Please charge any additional fees or credit any overpayment to deposit account number 50-1778. The Examiner is invited to telephone the below-signed attorney to discuss this application.

Date:                                              By:

_____June 13, 2003_____          _____

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PATENT

# IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

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|---|---|---|---|
| Applicant: | Lalitha Vaidyanathan, John Quinn, Ahmed Khaishgi, Cara Cherry | Examiner: | Naresh Vig |
| Serial No.: | 09/504,159 | Group Art Unit: | 3629 |
| Filed: | February 15, 2000 | Docket No.: | 1018-001US01 |
| Title: | ELECTRONIC DISPUTE RESOLUTION SYSTEM | | |

## DECLARATION UNDER 37 C.F.R. 1.132

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Commissioner for Patents
Washington, D.C. 20231

I, Steven E. Abernethy, submit the following declaration traversing the grounds of rejection set forth by the Examiner in the Office Action mailed February 13, 2003, as follows:

*Overview*

1. I am the Chief Executive Officer, President and Co-founder of SquareTrade, Incorporated ("SquareTrade"), the assignee of the present application.

2. I have reviewed the present application and currently pending claims.

3. I co-founded SquareTrade in 1999 to provide a way for people to transact online with peace of mind. Since then, SquareTrade has rapidly grown to become the world's leading online dispute resolution service.

4. SquareTrade provides an online dispute resolution system ("SquareTrade's system" or "the system") that incorporates substantially all of the elements set forth in the pending

claims 1-17, 22, 25-31 and 56-91 of the present application. These claimed online dispute resolution systems and processes have achieved immense commercial success within the world's largest online marketplace, eBay, and have addressed long-felt and unsolved needs, as described in detail below.

### *Inapplicability of the cited prior art with respect to online dispute resolution*

5. The inventions claimed in the present application are significantly different from the systems described by the primary reference cited by the Examiner, namely Sloo (US 5,895,450), rendering the Examiner's reliance on Sloo inappropriate and irrelevant as evidence of unpatentability and, in particular, inapplicable to online dispute resolution as claimed.

*Claims 1, 56 and 64*

6. The claimed invention, in claim 1, requires applying a case-based reasoning system to the case information to produce a result for use in selection of a mode of resolving the dispute in accordance with an online dispute resolution process, and presenting the result of the application of the case-based reasoning system to the case information to the one or more parties. In claim 56, the invention requires comparing the case information to facts of previously resolved disputes to produce a result for use in selection of a mode of resolving the dispute in accordance with a dispute resolution process, and presenting the result of the comparison to the parties. According to claim 64, the invention requires a database to store facts and outcomes of previously resolved disputes, and a server to receive case information that describes an electronic commerce dispute from one or more parties to the dispute via a network, wherein the server compares the case information to the facts of previously resolved disputes stored by the database to produce a result for use in selection of a mode of resolving the dispute, and presents a result of the comparison to the parties via the network. The SquareTrade system substantially includes j of these claimed features.

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7. The processes described in Sloo does not relate to online dispute resolution as the term is defined in the art, but to the contrary is directed to adjudication, or pronouncing a "judgment" or decision, via a computer automated process or a negotiator, judge or jury. Sloo's system is one where there are "losing" or "prevailing" parties (as Sloo alludes to for example on column 8, rows 56-58). Sloo's is NOT related to an online dispute resolution process, as recited in claim 1, 56 and 64. A dispute resolution process, as well known in art, is a conciliation-based process of reaching compromise, mediating a mutually agreeable settlement and then only accepting that settlement once the disputing parties are in agreement.

8. An adjudication-based system is one based on declaring one party "right" and one "wrong," and is akin to a court-like legal system. An adjudication-based system is based on an adversarial system where parties present their cases and one party prevails over the other. In an adjudication-based system, the "judgment maker" makes a decision based on the evidence presented by both parties, and does not interact with them to help them determine the reasonableness or correctness of their positions or to assist them in changing their positions to find common ground. The "judgment" is also made based on a codified set of laws that provide the basis for the judgment. The law is also generally territorially based (e.g., the laws of California, or the laws of France).

9. This is fundamentally different from a dispute resolution process, as recited in claims 1, 56 and 64, which is not an adversarial process and is not based on determining right or wrong. There is no concept of a prevailing or a losing party and there is no concept of a "judgment". A conciliation-based process focuses on working with disputing parties and helping them modify their positions to find a common settlement. There is no concept of determining if the parties' right or wrong.

10. The Examiner's arguments that compare Sloo's use of data, in reaching automated judgments, and in assigning an adjudicator are all irrelevant as they relate to adjudication processes and a focus of a system for "defining law," which is completely different from SquareTrade's dispute resolution processes, as claimed. A conciliation based system is based around helping parties arrive at a settlement – and helping them achieve a feeling of fairness or a settlement that they can both accept. Because there is no concept of right

or wrong, there is no need to agree on a "basis of law" or prior agreed upon structure to make the judgment.

11. Furthermore, at a practical level, an adjudication-based system generally has 3 requirements for it to be effective: (1) a pre-agreed commitment from the parties to abide by the "judgment"; (2) an agreed upon basis of "law" to make a "judgment"; and (3) an ability to enforce the "judgment" if one is made and the losing party refuses to abide by it. This is critical as the "losing" party otherwise has very little basis for abiding by the "judgment" and the system loses credibility.

12. Hence, the only practical applications are where parties have pre-agreed upon suspending their legal rights (e.g., credit card agreements) and there are pre-defined rules on adjudication and the courts have refused to give the users any further legal recourse.

13. A conciliation-based system – as it is based upon voluntary participation – does not have the concept of a "judgment," a "losing party" or a "basis of law" and therefore does not suffer from any of the crippling shortcomings of an adjudication based system. Adjudication is particularly limiting in contexts where it is difficult to set a rule of law (e.g., global settings or cross-jurisdictional settings) or where parties are not willing to pre-commit to a binding process and decision.

14. The SquareTrade system applies historical data through manual or automated processes to facilitate online-dispute resolution processes, as required by claims 1, 56, 64. Sloo conversely claims the ability to create some form of "case law" or generally accepted "judgments" based on very impractical and vague reference to other data. The SquareTrade system uses precedents to aid parties to recognize fairness and come to a mutually agreeable settlement. The SquareTrade system does not utilize data to form a judgment, but utilizes historic data to present reasonable alternatives to help parties better articulate their issues, help parties recognize compromise, and move parties toward mutual agreement. Moreover, substantial evidence of success is set forth below that demonstrates how the described and claimed processes of the present application have allowed SquareTrade to be effective at both of these novel processes: helping parties communicate and identify a fair resolution in a self-service manner through the use of

presenting historic relevant data, and achieve the same with the assistance of a dispute resolution specialist.

*Claims 22, 25, 78, 79, 83-84, 91*

15. The claimed invention, in claim 22, requires providing a forum storing data on participation of a buyer or seller in dispute resolution process to resolve electronic commerce disputes in an electronic marketplace. The claimed invention, in claim 25, requires that the data relate to compliance of a participant to the final decision made in the resolution of the dispute. The claimed invention, in claim 78, is directed to a method for integrating an online dispute resolution system with an electronic marketplace to allow users of the electronic marketplace to resolve disputes and provide users of the electronic assurance that disputes will be resolved. This claim requires numerous features that relate to online dispute resolution within an electronic marketplace. The claimed invention, in claim 79, requires providing an electronic marketplace that is accessed by users via a computer network and enables the users to buy and sell items, and indicating the availability of a dispute resolution system to resolve disputes between the users of the electronic marketplace by displaying to the users one or more media objects associated with the dispute resolution system within the electronic marketplace. Claims 83-84 and 91 also specifically recite elements that relate to online dispute resolution within an electronic marketplace. The SquareTrade system substantially includes each of these claimed features.

16. The adjudication processes and system described by Sloo could not effectively or practically ever function to support disputes in e-commerce or a global online marketplace setting. Most principally, a "judgment" based recourse system is NOT appropriate to serve e-commerce due to the global nature of parties involved in transactions. This is a dilemma that e-commerce has faced since inception, since buyers and sellers most often reside in different geographies (different states or countries) with different laws. This means there is no legal framework that is truly universally applicable, and hence makes "judgments" difficult or impossible to be "globally" appropriate.

17. In contrast, dispute resolution processes require parties to have pre-agreed to use a particular adjudication system and to have given up their consumer rights to other recourse. Because of this, regulatory bodies including the FTC, Dept of Commerce, and European Union Commission now agree that means of alternative dispute resolution that focus on conciliation or mediation are the best means of recourse in e-commerce. Conciliation and mediation processes work because they do not require parties to agreement to "local" laws, but instead are effective as they focus parties on achieving a mutually agreeable resolution or compromise.

18. In sharp contrast to Sloo's patent, SquareTrade's claimed processes achieve the above important principles that are essential to an accessible and effective recourse mechanism for an online and geographically diverse setting, such as a global online marketplace. Notably, these described and claimed processes have been implemented and achieve immense success within the world's largest online marketplace, as quantified below.

*Claims 16*

19. Claim 16 requires communicating using a public messaging mode in which communication is automatically shared between all of the parties and the dispute resolution specialist, and a private messaging mode in which communication for a given one of the parties is automatically shared only between that one of the parties and the dispute resolution specialist. The SquareTrade system substantially includes each of these claimed features. In this manner, communications are still maintained confidential from the general public, and two modes are used to control the exchange and sharing of communications between the parties and the dispute resolution specialist.

20. Unlike these requirements of the claimed invention, Sloo's adjudication processes are not confidential in nature, and hence violate another important attribute of effective dispute resolution where consumers and businesses alike will feel comfortable participating. Throughout, Sloo's descriptions, complaint and party personal data are described as being accessible through a publicly available and publicly searchable database. Traditional offline alternative dispute resolution (ADR) processes, ranging from private negotiations

to mediation to arbitration, are all confidential in nature. Confidentiality is a key benefit influencing parties to pursue ADR relative to the public nature of traditional litigation. Parties will generally not participate in such a process if they are not guaranteed confidentiality of participant information and specifics of the dispute proceedings. Sloo's "public" process focus, of making most information publicly sharable, is clearly impractical and inappropriate. The SquareTrade system and processes, as claimed, uniquely provide these requirements to achieve successful online dispute resolution.

*Claim 2*

21. As opposed to an adjudication or judgment-based process, the SquareTrade substantially conforms to applicants' claim 2, and can be characterized by enabling automatic selection of an appropriate mode of resolving the dispute based on the result from the case-based reasoning system, one mode requiring the online dispute resolution process being driven by an electronic agent to assist the parties in resolving the dispute and another mode involving a human dispute resolution specialist. Further there are multiple sub-processes where cases can be routed to most appropriately handle a case type. These principles of helping disputing parties come to recognition of fair compromise and mutually agreeable settlement are implemented within the SquareTrade system as modes of resolution: from automated self-service resolution processes to resolution processes facilitated by a Dispute Resolution Specialist (DRS), and allowed the SquareTrade system to handle a substantial volume of disputes, as quantified below.

*Evidence of commercial success and long-felt unsolved needs*

22. Following is a breadth of evidence that illustrates the commercial success and effectiveness of SquareTrade's pioneering online dispute resolution system, as described and claimed in the pending application.

23. SquareTrade created the first commercial online dispute resolution system to integrate with an online marketplace, eBay (the world's largest online marketplace). This system incorporates substantially all of the elements of claims 1-17, 22, 25-31 and 56-91.

24. Since launch of the service in February 2000, the SquareTrade system incorporates these claimed processes has handled over 500,000 disputes and currently handles 50,000 new cases a month. In addition, the claimed processes have also been applied to create an online solution for the California Association of Realtors to resolve residential real estate disputes. Moreover, SquareTrade has recently been selected recently been selected by the Federal Trade Commission to provide online dispute resolution services that applies the claim to global consumer disputes received through the "econsumer.gov" program.

25. The innovative SquareTrade system filled a new and large unmet need in e-commerce and online marketplaces. Traditional governance and enforcement mechanisms were not effective online as too costly, too slow and often lacking jurisdictional relevance due to parties being in different locations (e.g., difficult for a buyer in Florida to pursue small claims court against a seller in Nevada or Mexico City for a $200 online purchase). Further disputes are more likely to occur online due to the Internet's largely impersonal, often anonymous, and transactional nature, coupled with time delays between payment and exchange of goods, all combining to lower trust in transactions.

26. The SquareTrade system filled this gap by providing an accessible, practical, neutral and affordable mechanism to resolve disputes anywhere in the world, and was the first to integrate such a solution into an online marketplaces and e-commerce in a scalable and extensible manner.

27. The SquareTrade system has handled over 500,000 disputes since its February 2000 launch, and is currently handling over 50,000 new disputes a month and concurrently managing over 20,000 active cases at any given time. Illustrating global access, this includes disputes across 100 countries in 5 languages.

28. SquareTrade was selected by the World Economic Forum as one of the top 100 global technology pioneers in 2000 and 2001 (recognizing excellence in deploying new technologies to address global social issues)

29. In January 2003, SquareTrade was awarded CPR Institute for Dispute Resolution's 2002 Outstanding Practical Achievement Award based on the SquareTrade System. This is likely the most prestigious national award in the Dispute Resolution field and is awarded by a panel of the General Counsels of some of the largest US companies. http://www.cpradr.org/awards-2002.htm

30. SquareTrade's unique online capabilities for providing recourse to users in various kinds of transactions has led to broad recognition and invitations to demonstrate its process from many major national and international institutions and organizations, such as the Federal Trade Commission, the Department of Commerce, the United Nations Economic Commission for Europe, the United Nations Conference on Trade and Development for e-commerce in Africa, the OECD, and the Global Business Dialogue on e-commerce.

31. Significant evidence exists of the practical use and effectiveness of its processes related to utilizing data from prior cases through case based reasoning and manual methods as well as means of using visual clues on the screen to achieve to signal areas of agreement and fairness (See, e.g., claims 1, 56, 64, and 75). Given the highly standardized nature of e-commerce transactions and associated disputes and particularly disputes within a given marketplace, SquareTrade has been able to draw from the precedence of now hundreds of thousands of resolved disputes to guide processes. SquareTrade is able to utilize this data to create a customized online dispute resolution process for users based on their role (e.g., buyer, seller), location of transaction (e.g., eBay, website), and dispute type (e.g., item damaged, item different from described, feedback related).

32. The claimed online dispute resolution system and processes have allowed SquareTrade to create an effective self-service tool to automate what would previously have required in-person mediation (clearly the prior alternative is impractical for e-commerce or low-value transactions). Today over 50% of cases, where both parties participate, reach successful resolution through SquareTrade's self-service filing, response and direct negotiation service. This is a huge benefit to consumers (as free to users today) and a significant accomplishment, particularly given the scale of dispute volume. This represents hundreds of disputes resolved daily using the automated processes. These are disputes that would

otherwise have been left with NO practical recourse solution prior to SquareTrade's existence.

33. The invention, as required by claim 20, requires providing visual cues to highlight agreements between the parties. Claim 21 requires visually highlighting areas of agreement and disagreement. Claim 88 requires an online dispute resolution system comprising a software program to automatically assemble case information that describes an electronic commerce dispute between parties from records provided by the parties, wherein the software module presents sample resolutions to the parties to aid the parties in resolving the case, and disaggregates elements of the dispute and presents the case information in a form that identifies areas of agreement between the parties.

34. These requirements of claims 20, 21, and 88 have impacted the ability of the SquareTrade system to practically achieve the aforementioned success rates by creating a visual framework allowing parties to better articulate and to recognize fairness. Moreover, the use of case precedent, as required by many of the claims, gives parties easier ability to recognize compromise amongst the various options, where they might otherwise have only stuck to a single position not have been able to effectively communicate their issues at all. Further, the visual presentation of highlighting desired outcomes to the respondent so they can easily see areas of agreement and disagreement with the filer have all proven effective in facilitated self-service conciliation.

35. Claim 2 requires selecting one of two modes of resolving the dispute based on the result from the case-based reasoning system, the first mode requiring the online dispute resolution process being driven by an electronic agent to assist the parties in resolving the dispute and the second mode involving a human dispute resolution specialist. The use of data by the SquareTrade system to select a mode of resolution have proved effective and practical, and have impacted the commercial success of SquareTrade's online dispute resolution system. The SquareTrade system is able to recognize when certain modes of resolution will or maybe required for a dispute type (e.g., mediation) and then route them accordingly in the user experience to make more expeditious and less antagonistic for the disputants. See, e.g., the required elements of claim 88. Today this includes routing over

100 disputes a day that relate in some form to online reputation to a specialized dispute resolution process.

36. As declared above, claims 22, 25, 78, 79, 83-84, 91 all recite elements that relate to an electronic marketplace. These claimed features of the SquareTrade's solution have proven highly effective in building trust in an online marketplace (eBay) through its role of resolving disputes. Analysis illustrates successful resolution correlates to greater customer retention and increased propensity to transact again in eBay's online marketplace. Based on responses from post dispute surveys from a meaningful sample of users, 70% of respondents involved in a successfully resolved dispute indicated they were comfortable returning to eBay to shop again even though they just had a dispute versus only 31% of respondents from unsuccessful cases indicating they would ever shop again on eBay. Another analysis of sample users illustrated this increased confidence to transact, showing that a sample of buyers who successfully resolved a dispute through SquareTrade, were involved in 15% more transactions post dispute than those buyers whose cases were not successfully resolved. Further evidence has been collected in multiple eBay administered surveys of buyers, which consistently list access and commitment to ODR as a top 3 concern in consumer willingness to buy or bid on higher priced goods at eBay.

37. eBay's ever increasing integration of the SquareTrade system that incorporates the claimed processes gives strong practical evidence of the value in linking SquareTrade's online dispute resolution services to an online marketplace setting, the largest online marketplace in the world. Recognizing the value of ODR to increase trust and safety, eBay now extensively provides visibility and education to their users of access to SquareTrade's online dispute resolution and the existence of SquareTrade Seal members as reasons to feel trustworthy engaging in a purchase on eBay's online marketplace. "Buy with Confidence" or equivalent links are found throughout eBay, which include description and hyper-linked access to SquareTrade's Services. SquareTrade's ODR is also integral to eBay's fraud protection program, as a suggested step prior to making a fraud claim with eBay. This is because the formality of ODR is often effective in eliciting participation from the responding party, where the filer was otherwise unsuccessful.

Further, eBay's reputation system, "feedback forum" uses SquareTrade's neutral ODR processes as a means of integrity, and requires SquareTrade to mediate or administer any user requested changes to eBay's "feedback forum". Specific SquareTrade programs have also been launched in eBay's marketplace including a Motor's Verified Seller program that can include a Seller Guarantee that tie to specific SquareTrade online dispute resolution processes and seller pre-commitments to ODR, which are displayed to prospective buyers as a trust building device.

38. Claim 31 requires showing a visual indicia to indicate membership in the dispute resolution process. Claim 30, requires the visual indicia be a medallion. As evidence of the success of SquareTrade's claim for a medallion to indicate this commitment of parties to online dispute resolution, SquareTrade launched the SquareTrade Seal program in June of 2000, which substantially incorporates these claim elements. This system enables sellers to display that they are pre-committed to participating in ODR and high selling standards with the Seal. As of June 2003, over 36,000 Seal Members are active around the world, making the SquareTrade Seal program the world's largest online certification program of its kind. Never before was this possible to link so seamlessly between a transaction, a seller, a buyer and an affordable (often free) neutral process to dispute an issue. In the past, pre-commitment through a contract was possible but in practice might take weeks or months to find a time to mediate in person or to dispute in court. In addition, due to the time and cost barriers, a consumer would not likely pursue. Also never before was the display of such pre-commitment possible in an authenticated and relevant manner, as SquareTrade's seal serving technology on a specific transaction listing in eBay's online marketplace.

39. Claim 29 requires providing a market-based system for assigning a specialist to a particular dispute. Claim 91 requires training a dispute resolution specialist by requiring the dispute resolution specialist to experience transactions within online marketplaces, presenting simulated online dispute resolution cases to the dispute resolution specialists to assess the skills of the dispute resolution specialists; and assigning online disputes to the dispute resolution specialists only upon completion of the training and successful resolution of the simulated or monitored online dispute resolution cases.

40. The commercial success and practical value of the process of at least claims 29 and 91 are illustrated now though a current network of over 100 active dispute resolution specialists (DRS), who are generally performing online mediation for SquareTrade. SquareTrade system is currently assigning roughly 150 to 200 new cases per DAY to its DRS network to facilitate mediation. Further, showing benefits superior to in-person mediation, the SquareTrade system is usually able to assign cases to mediators within 48 hours and generally reaches resolution within 3 weeks of asynchronous iteration of the dispute. The SquareTrade system is also automatically able to distribute cases based on the skill set of the recipient. For example, currently cases that relate to non-feedback related mediation request are automatically directed to one group of mediators and cases that involve only eBay feedback of the dispute are automatically directed to another sub-panel.

41. The SquareTrade system incorporating the claimed processes has received significant press recognition that illustrates both commercial success and long-felt need as follows:

- "As the Internet draws the world together, people are discovering there are no courts in cyberspace. ... Online ADR permits the application of a mix of computer and human resources to resolving disputes. The online mediation service SquareTrade is pioneering this approach" James H. Johnson, May 1, 2000, Legal Times.

- "The need for online dispute resolution mounts as Web use grows"...EBay spokesman Kevin Pursglove said..."Even though it involves a small number of people now, (use of mediation) is going to spread. It's going to build trust in the system. The feedback has been overwhelmingly positive" Kirk Shinkle, Investor's Business Daily, October 26, 2000

- "SquareTrade, best known for handling dispute resolution online for auction site eBay Inc., received a Practical Achievement award, presented by Barbara E. Daniele, senior vice president and general counsel at G.E. Capital Commercial Equipment Financing in Danbury, Conn. "We need to be innovative in the way we resolve disputes," said Daniele, adding that the innovations must be done "in a way that they benefit society." She said the eBay online dispute resolution systems ... helps people who can't afford lawyers, and therefore was "one of the best

examples we could find" of ADR innovation that benefits society." CPR Institute of Dispute Resolution, February 2002
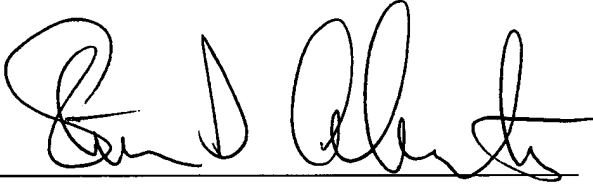
- "...what if, despite best intentions, something does go wrong? SquareTrade fosters trust with services for those times when disputes arise. In the physical world, frustrated buyers and sellers have options ranging from threatening letters on legal stationery to mediation, arbitration and litigation. All these are still available when the transaction occurs online, but physical distance between the parties my make them difficult to utilize. Moreover such physical world recourse mechanisms impose substantial costs and headaches that participants, especially small businesses and individuals, may loathe to take on." Kevin Werbach, Release 1.0, October 17, 2000.

- "If a buyer and a seller end up in a dispute, SquareTrade will help the two sides reach a middle ground. Once again, the purpose is to overcome the Net's trust deficit. Thanks to SquareTrade, eBay's customers know that if they get ripped off, an impartial mediator will help redress their grievance at little or no cost." Sebastian Mallaby, The Washington Post, April 2, 2002.

- "Tech-forward Californians are offered an Internet service provided by the California Association of Realtors (CAR) and run by SquareTrade Inc. which allows homebuyers and sellers to resolve their disputes online. "We have always been involved in dispute resolution," explains CAR's general counsel June Barlow. "This is the next step in making it more accessible. We have remote parts of California that don't have access to mediators, and it is convenient for busy people to go online. People also move around a lot and distance is a hurdle. This way you are home at your PC."" Blanche Evans, Realty Times, June 12, 2002

- "When real-estate transactions get nasty, they can get really nasty. Can the Internet make it all better? Some real-estate agents think so. The California Association of Realtors is promoting a new nationwide service that helps buyers and sellers who get mired in disputes come to terms via a secure Web site, without meeting face to face. The site, run by SquareTrade Inc., San Francisco, asks the two sides in the conflict to enter their beefs online, and then lets its software -- or, if necessary, a

human mediator -- iron it all out in cyberspace. Among the upsides of this process is that buyers and sellers don't have to get together in the same room, which can be especially helpful when the two parties don't live in the same town -- or when they hate one another. Also, the service in most cases is less expensive than using traditional mediators." Patrick Barta, Wall Street Journal, June 10, 2002

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

Date: 6/12/03          Signed: _____
                                Steven D. Abernethy

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